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Locke Lord QuickStudy: Relief for State and Local Governments Impacted by COVID-19

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On Thursday, March 12, 2021, President Biden signed into law a \$1.9 trillion COVID-19 relief package, H.R. 1319, the American Rescue Plan of 2021 (the “ARP”). The ARP includes \$350 billion in aid for state and local governments and, unlike prior COVID-19 relief bills, provides that every county, city, village and township will receive funds under the plan. ?

The amounts each county, city, village and township can expect to receive have not yet ?been finalized; however, the ARP establishes multiple funds that further identify how the \$350 ?billion is to be distributed. To combat the economic impact of COVID-19, the ARP established two ?recovery funds, the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal ?Recovery Fund, as well as the Coronavirus Capital Projects Fund and the Local Assistance and ?Tribal Consistency Fund, all of which are further described below. ?

Coronavirus State Fiscal Recovery Fund

An amount of \$219.8 billion will be available through December 31, 2024 for states, ?territories and tribal governments to remedy the financial impact of the COVID-19 crisis. Of the ?total amount of \$219.8 billion, \$195.3 billion will be distributed to the fifty States and the District ?of Columbia, \$4.5 billion will be distributed to the territories and \$20 billion will be distributed to ?tribal governments. ?

In order to receive funds from the State Fiscal Recovery Fund, a state or territory must ?submit a certification to the Secretary of the Treasury stating that the funds are required to carry out ?one of the four approved activities specified below. The ARP restricts the use of funds received by ?local and state governments to costs incurred by December 31, 2024 for the following purposes:?

- A. To respond to the COVID-19 emergency or its negative economic impact. These costs could include payment assistance to households, small businesses, and nonprofits as well as aid to impacted sectors of local economy such as tourism, travel and hospitality.

- B. To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible state, local or tribal employees or by providing grants to eligible employers that have eligible workers.
- C. To provide government services to the extent COVID-19 caused a reduction in revenues collected in the most recent full fiscal year; or
- D. To make necessary investments in water, sewer or broadband infrastructure.

Payments from the Coronavirus State Fiscal Recovery Fund may not be used to offset a ?reduction in taxes caused by a change in law or regulation and may not be deposited into a pension ?fund. ?

Coronavirus Local Fiscal Recovery Fund ?

An amount of \$130.2 billion will be made available through December 21, 2024, for ??“metropolitan cities,” ??“nonentitlement units of local government,” and counties to mitigate the ?financial impact of COVID-19. In general, a metropolitan city is a city within a metropolitan area ?which is the central city of such area, or any other ?city, within a metropolitan area, which has a ?population of fifty thousand or more. In general, a nonentitlement ?unit of local government means ?any unit of local government which is classified as a municipality or any other ?unit of local government which is a town or township meeting certain criteria that is not a metropolitan city. ?Of ?the total \$130.2 billion, \$45.50 billion will ?be distributed to metropolitan cities, \$19.53 billion will be distributed to ?nonentitlement units of ?local government and \$65.1 billion will be distributed to counties. ? In states like ?Connecticut, Massachusetts and Rhode Island ?where the traditional county-level government has been largely ?abolished and in a number of independent cities and consolidated city-counties which operate under municipal ?governments that serve the functions of both city and county, it remains to be seen precisely ?how the distribution ?of these funds will be handled.? ?

The same restrictions on use of funds described above for the Coronavirus State Fiscal ?Recovery Fund will also apply to the Coronavirus Local Fiscal Recovery Fund. ?

Coronavirus Capital Projects Fund ?

An amount of \$10 billion will be made available for payments to states, territories and ?tribal governments to carry out capital expenditure projects enabling work, education, and health ?monitoring. Of the \$10 billion, each state will receive \$100 million, some territories will receive ??\$100 million, and \$100 million will be paid in equal shares to tribal governments.?

In addition to funds for state and local fiscal aid as outlined above, the ARP provides ?additional funding for emergency rental assistance, education stabilization, transportation and ?infrastructure, low-income water and energy assistance, and emergency paid sick leave credits. ?

Your regular Locke Lord contact and the authors of this article would be happy to help you ?navigate the American Rescue Plan and associated guidance as they relate to or otherwise affect ?state and local governments.

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